Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Message Text

UNCLASSIFIED

PAGE 01 LA PAZ 05201 01 OF 02 242017Z

70
ACTION EB-11

INFO OCT-01 ARA-16 ADP-00 AGR-20 CIAE-00 INR-10 LAB-06

NSAE-00 RSC-01 STR-08 TRSE-00 CIEP-02 OMB-01 L-03

AID-20 EA-11 DODE-00 PA-03 USIA-15 PRS-01 RSR-01

NSC-10 /140 W
---------- 047426
P R 241904Z AUG 73
FM AMEMBASSY LA PAZ
TO SECSTATE WASHDC PRIORITY 762
INFO USDOC WASHDC
US DEPT OF AGRICULTURE
AMEMBASSY SANTIAGO
AMEMBASSY BRASILAI
AMEMBASSY BUENOS AIRES
AMEMBASSY LIMA
AMEMBASSY LONDON
AMCONSUL SAO PAULO

KICLAS SECTION 1 OF 2 LA PAZ 5201

E.O. 11652: N/A
TAGS: EAGR, EFIN, BDIS, ETRD, BL.
SUBJ: COTTON CONTRACTS: BOLIVIA'S FAILURE TO FULFILL.

REF: STATE 164916 AND PREVIOUS (NOTAL).

SUMMARY: GOB'S DECREE SETTING $US 56 PER HWT WILL BE ENFORCED.
NEXT STEP: LEGAL ACTION BY BROKERS TO BLOCKADE BOLIVIAN COTTON.
ACTION REQUESTED: SOME INFORMATION AND INSTRUCTIONS IF
DEPARTMENT DESIRES.

1. AMERICANS AND BOLIVIANS MET EVENING AUGUST 23 FOR WHAT U.S.
PARTY HOPED WOULD BE RESOLUTION OF DISPUTE ARISING OUT OF GOB'S
IMPOSITION OF $US 56 MINIMUM EXPORT PRICE FOR COTTON.
DISPUTE WAS NOT RESOLVED; INSTEAD GOB OFFICIALS EXPLAINED
BOLIVIA'S POSITION, GENESIS OF LAW AND ITS TERMS. MEETING,
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 LA PAZ 05201 01 OF 02 242017Z

WHICH WAS BILLED "WORKING" AT OUTSET, WAS FRANK AND MOST CORDIAL,

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

LASTING ABOUT 90 MINUTES.

2. GOB OFFICIALS WERE MININD/COM UNDER SECRETARY ZAMORANO (IN WHOSE OFFICE MEETING WAS HELD) AND, FROM OFFICE OF PRESIDENT, ECONOMIC ADVISOR GASTON VILLA, FINANCIAL ADVISOR DAVID BLANCO AND ECONOMIST JAIME GUTIERREZ. U.S. PARTY CONTAINED COOK INDUSTRIES REPRESENTATIVE JOHN BARNETT, LAWYER LEGG, WHO CAME FROM ENGLAND AS ATTORNEY FOR BRITISH FIRM RALLI, JOSE ANTONELI, LOCAL REPRESENTATIVE FOR BOTH FIRMS (LATTER TWO GENTLEMEN BOTH FRESHLY ACQUIRED BY COOK) AND COMATT.

3. ZAMORANO WAS PRINCIPAL SPOKESMAN FOR GOB. HE SAID DECREE HAD BEEN ISSUED AS A MEASURE OF HIGH ECONOMIC POLICY AFTER DUE, AMPLE AND CAREFUL STUDY, WITH FULL CONSIDERATION GIVEN TO "ALL POSSIBLE" RISKS BOLIVIA MIGHT RUN AS WELL AS BENEFITS WHICH SHOULD ACCRUE TO HER. THEREUPON BOLIVIA DECIDED SHE IS WILLING TO RUN RISK. HE SAID GOB, IN EFFORT TO MAINTAIN STABILIZATION PROGRAM, HAD TAKEN THIS MEASURE AS STEP TOWARD SOLVING BALANCE OF PAYMENTS AND FISCAL DEFICIT PROBLEMS. IN EXPLAINING ENFORCEMENT OF DECREE, ZAMORANO AND VILLA ADMITTED THAT PRODUCERS COULD BE CONSIDERED FREE TO DELIVER
COTTON AT ANY PRICE ("EVEN GIVE IT
AWAY") BUT THAT THEY MUST RPT MUST PAY TAXES ESTABLISHED BY COMPANION DECREE ON QUANTITIES ACTUALLY EXPORTED AND DELIVER TO CENTRAL BANK $US 56 FOR EACH HUNDREDWEIGHT EXPORTED. (COPIES OF BOTH DECREES BEING POUCHED). IN EXPLAINING THINKING BEHIND MEASURE, GOB OFFICIALS EMPHASIZED THAT BOLIVIA, ALONG WITH OTHER UNDER-DEVELOPED COUNTRIES, HAD FOR MANY YEARS BEEN SUBJECT TO BUYER'S MARKET BUT NOW FOUND ITSELF IN COMMODITY SELLER'S MARKET AND WOULD BE FOOLISH TO FAIL TO TAKE ADVANTAGE OF IT. ALSO POINTED OUT THAT USG HAD PROHIBITED CERTAIN EXPORTS AS SELF-PROTECTIVE MEASURE AND THAT THE GOB HAD BOTH RIGHT AND OBLIGATION TO SAME, ALTHOUGH SUCH A MEASURE WOULD TAKE A DIFFERENT TACK IN BOLIVIA.

4. BARNETT EMPHASIZED THAT NOT ONLY COOK BUT ALL COTTON BROKERS REGARD CONTRACTS AS SACRED. HE EXPLAINED MECHANICS OF INTER-NATIONAL COTTON TRADING, THAT HIS FIRM HAD TRIED TO HELP BOLIVIA BY DEVELOPING MARKETS FOR HER COTTON AND THAT THIS STEP WOULD BE PREJUDICIAL TO HER LONG AND SHORT TERM INTERESTS. HE INSISTED
UNCLASSIFIED

THAT HIS FIRM RESERVED ALL RIGHTS TO LEGAL ACTION AND WOULD NOT RENEGOTIATE CONTRACTS.

5. COMATT SET FORTH U.S. POSITION AS CONTAINED REFTEL, RHETORICALLY SOUGHT ASSURANCES THAT THE GOB HAD FULLY CONSIDERED ALL POSSIBLE RISKS (ANSWER: CONFIDENTLY AFFIRMATIVE) AND SUGGESTED THAT, TO ENHANCE THE USG'S UNDERSTANDING OF BOLIVIA'S POSITION, THE GOB MIGHT FIND IT USEFUL TO HAVE ITS AMBASSADOR MAKE REPRESENTATION

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

IN WASHINGTON.

6. REITERATING THAT MEETING WAS AN INFORMAL WORKING SESSION DESIGNED TO FOSTER UNDERSTANDING OF GOB'S POSITION, ZAMORANO REQUESTED USG, IF IT WISHED TO MAKE FORMAL REPRESENTATION OF ITS POSITION, DO SO BY DIPLOMATIC NOTE.

7. LAWYER LEGG SAYS THAT, BASED ON HIS CONSULTATIONS WITH BOLIVIAN LAWYER RENE ROJAS, HE IS CONVINCED THAT LEGAL ACTION WITHIN BOLIVIA WOULD BE FRUITLESS. BOTH HE AND OTHER MEMBERS OF BOTH U.S. AND BRITISH PARTIES INDICATED THEY ARE CONSIDERING TAKING LEGAL ACTION IN CHILE, BRAZIL AND ARGENTINA TO PREVENT SHIPMENT OF THE BOLIVIAN COTTON FOR WHICH THEY HAVE CONTRACTED TO ANY OTHER BUYER. IF LEGAL ACTION IS INITIATED, THEY SAY THEY WILL CONTINUE IT UNTIL THEY ARE SUCCESSFUL IN BLOCKING BOLIVIA'S ATTEMPT TO BREAK CONTRACTS. BOTH THE U.S. AND BRITISH PARTIES SAY THEY ARE ADAMANT IN REFUSING TO ALLOW BOLIVIA TO BREAK CONTRACTS, WHICH EXAMPLE, IF FOLLOWED BY OTHER PRODUCERS, COULD COST INTERNATIONAL BROKERS ABOUT $US 500-600 MILLION.

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 LA PAZ 05201 02 OF 02 242119Z

70
ACTION EB-11

INFO OCT-01 ARA-16 EUR-25 ADP-00 AGR-20 CIAE-00 INR-10

LAB-06 NSAE-00 RSC-01 STR-08 TRSE-00 CIEP-02 OMB-01

L-03 AID-20 EA-11 DODE-00 PA-03 USIA-15 PRS-01 RSR-01

NSC-10 /165 W

---------- 048043

P R 241904Z AUG 73
FM AMEMBASSY LA PAZ
TO SECSTATE WASHDC PRIORITY 763
INFO USDOC WASHDC
US DEPT OF AGRICULTURE
AMEMBASSY SANTIAGO
AMEMBASSY BRASILIA
AMEMBASSY BUENOS AIRES
AMEMBASSY LIMA
AMEMBASSY LONDON

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

AMCONSUL SAO PAULO

UNCLAS SECTION 2 OF 2 LA PAZ 5201

8. BANK OF AMERICA LA PAZ, WHICH IS APPREHENSIVE ABOUT ITS $US 10 MILLION COTTON CROP FINANCING, IS SUPPORTING SANCTITY OF CONTRACT CONCEPT. FIRST NATIONAL CITY BANK LA PAZ IS CONFIDENT OF REPAYMENT OF ITS $US 3 MILLION CROP FINANCING. BANCO DO BRAZIL LA PAZ, AS REPORTED BY U.S. AND LATIN PARTIES, HAS NO DIRECT INTEREST, BUT IS WORRIED ITS COMMITMENT TO BANCO AGRICOLA FOR $US 6 MILLION FINANCING NEXT YEAR MAY NOTHE SEEN AS SACRED BY BOLIVIANS.

9. MINFIN UNDER SECRETARY JORGE RIVERO, IN MORE OR LESS PRIVATE CONVERSATION REPORTED BY U.S. AND BRITISH PARTIES, WENT SO FAR AS TO SKETCH OUT AMENDMENT TO DECREE TO EFFECT THAT DECREE DID NOT APPLY TO CONTRACTS SIGNED BEFORE DECREE ISSUED. U.S. AND BRITISH PARTIES HOPE TO SEE MINFIN BEDREGAL AUGUST 24. IMF REPRESENTATIVE KREIS SAYS BEDREGAL FAVORS NEGOTIATED SETTLEMENT.

UNCLASSIFIED

UNCLASSIFIED

10. EMBASSY HAS BEEN IN CLOSE AND FREQUENT COMMUNICATION WITH OUR BRITISH COLLEGUES ON THIS QUESTION SINCE ABOUT AUGUST 15. (THEY TELL US THAT OUR JAPANESE COLLEGUES HAVE ADOPTED LOWEST POSSIBLE PROFILE LEST THEIR OTHER COMMERCIAL INTERESTS HERE BY JOGGLED). U.S. AND U.K. ARE COORDINATING APPROACHES AND PRESENTING COMMON FRONT ON BOTH EMBASSY AND COMMERCIAL LEVELS.

11. C
11. COMMENT: EMBASSY NOW BELIEVES GOB HAS NOW MADE ITS POSITION CLEAR AND THAT DECISION WAS TAKEN AT HIGHEST LEVEL OF GOVERNMENT. CONFUSION ABOUT GOB POSITION DISCUSSED LA PAZ 5063 AND MOST RECENTLY EVIDENCED BY RIVERO WE BELIEVE WAS GENUINE RESULT OF LACK OF CONSULTATIONS BETWEEN HIGHEST AND INTERMEDIATE LEVELS OF GOVERNMENT.

12. WE DOUBT THAT THE GOB WILL CHANGE ITS STANCE EXCEPT, PERHAPS, IN FACE OF HEAVY LEGAL AND/OR DIPLOMATIC PRESSURES.

13. IN RESPONSE TO ZAMORANO'S REQUEST, WE PLAN TO SEND DIPLOMATIC NOTE AUGUST 24 CONTAINING POINTS MADE REFTEL. WORKING DISCUSSIONS WITH INTERMEDIATE OFFICIALS WILL CONTINUE TO BE HELD.

14. OUR MEETING FOLLOWED BACK TO BACK MEETING WITH U.K. PARTY WHO DESCRIBED SESSION AS UNSATISFACTORY IN SUBSTANCE AND HARSH IN TONE. GOB OFFICIALS SAID THEY WERE TO MEET WITH COTTON PLANTERS ASSOCIATION (ADKCPA) EXECUTIVES AFTER OUR MEETING AND THAT GOB EXPECTED TO HAVE "MORE PROBLEMS WITH ADEPA" THAN WITH

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

U.S. AND U.K. ADEPA'S LA PAZ REPRESENTATIVE CONTINUES TO TELL US THAT AS LEAST PART OF ADEPA IS NOT IN AGREEMENT WITH GOB AND WOULD LIKE TO FULFILL CONTRACTS.

15. ACTION REQUESTED: EMBASSY AWAITING FURTHER INSTRUCTIONS, IF DEEMED APPROPRIATE BY DEPARTMENT.

16. INFORMATION REQUESTED: DEPARTMENT GRANTED TO BOLIVIA EXEMPTION TO EXPORT CONTROL ON COTTON SEED AND SOYA FOR PLANTING PURPOSES (SEE STATE 13487#). HAS SEED BEEN SHIPPED?

17. FYI: EMBASSY UNDERSTANDS FROM BARNETT THAT COTTON IN QUESTION IS FOR DELIVERY TO PEOPLE'S REPUBLIC OF CHINA.
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 LA PAZ 05201 02 OF 02 242119Z

BARNETT ALSO SAYS DEPARTMENT SHOULD EXPECT TO HEAR FROM COOK'S FRONT OFFICE AUGUST 24.
BREWIN

UNCLASSIFIED

NNN

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COTTON, CONTRACTS, EXPORT QUOTAS
Control Number: n/a
Copy: SINGLE
Draft Date: 24 AUG 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973LAPAZ05201
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: LA PAZ
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730817/aaaaamlz.tel
Line Count: 245
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: STATE 164916 AND PREVIOUS (NOTAL)
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 07 SEP 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07-Sep-2001 by reddocgw>; APPROVED <19 FEB 2002 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: COTTON CONTRACTS: BOLIVIA'S FAILURE TO FULFILL.
TAGS: EAGR, EFIN, BDIS, ETRD, BL
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005